The Hypocrisy of the Gurus

There was a time when a fool and his money were soon parted,
but now it happens to everybody.

~ ADLAI STEVENSON

YOU'VE BEEN DUPED

Suppose after college you're getting a bit pudgy around the middle and decide it's time to get back in shape. You enroll in a community college class called "Healthy Nutrition: Eat Your Way to a Beautiful Body."

On the first day of class, you arrive early, seat yourself, and anxiously await the class instructor. After a few minutes, an obese man walks into the room and waddles to the front of the class. You think, "Wow, he's fat . . . but he's here to change that . . . good for him!" As the man profusely sweats while fumbling with a stack of papers, you glance at the student chair near the man and wonder if he can fit on it . . . he's twice the size of the chair!

Then suddenly you're hit with the paradox. This isn't a student but the instructor! Are you freaking kidding me? How can this man effectively teach a class called "Healthy Nutrition: Eat Your Way to a Beautiful Body" when he is not a model of his teaching? How can anyone take him seriously? Bewildered at the hypocrisy, you leave the class and head to the bursar's office, intent on getting a tuition refund.

When it comes to gurus and financial advisers this is what you must do: leave class and request a refund because they're guilty of a Paradox of Practice.

THE PARADOX OF PRACTICE

The Paradox of Practice asks, "Do you practice what you preach? Are you a model, an exemplification of what you teach?"

Would you take skin care advice from a butterface?
Would you take financial advice from a bankrupt bum?
Would you take medical advice from a sanitation worker?
Would you take bodybuilding advice from a 90-lb. weakling?

The Paradox of Practice is a heated debate in my forum. Some feel it's perfectly acceptable to preach a strategy for wealth yet never use it.

DO AS I SAY, NOT AS I DO

A Paradox of Practice exists when someone promotes a moneymaking strategy but that strategy is not what made him or her rich. In other words, *they're not practitioners of their own advice*. These people effectively teach one wealth equation (the Slowlane) while they get rich leveraging another (the Fastlane).

When I see financial powerhouse "Suze" instructing people to "dollar-cost-average" their mutual fund portfolios, do I listen to her? Hell no. I laugh. When "Cramer" advocates stock in Lehman Brothers because he says it's a good buy, do I listen? No way.

I feel sorry for anyone who follows the investment advice of these people. I consider these people to be better entertainers than investment advisors. I have no love lost for the poor sap who lost his retirement savings because he listened to some CNBC pundit peddling some hot stock tip or investment advice. What is wrong with people? How do you not take responsibility for your financial plan?

And then there's your uncle. You know the guy—the well-educated elder in your life who knows everything, including the molecular structure of dark matter in the Horsehead Nebula. His army of factoids is always ready for deployment: stock tips, the latest and greatest investments, money trends. Yet, lest you forget, he lives paycheck to paycheck.

I call these people "Broke Know-It-Alls"—people who dispense financial, moneymaking advice, and yet are dirt poor. These fat behemoths are walking hypocrisies on how to live a life of health and fitness. Listen to these folks with an entertainment expectation, not advice. Good advice comes from the guy who scores all the touchdowns—not the guy shut out in the fourth quarter! The best quarterbacking advice comes from Peyton Manning, not MJ DeMarco.

IS A PARADOX OF PRACTICE IN PLAY?

In the game of money, money is the scorecard. If someone tells you how they "scored," make sure they disclose their real method to wealth, not the illusion concealing the real culprit. Sadly, it's virtually impossible to get good, practical money advice, because most gurus live a Paradox of Practice. Yes, gurus are rarely rich because of their advice, but rich because they're successful Fastlaners who covertly hide their Paradox of Practice.

These paradoxical metaphors described earlier befit the hypocrisy of the people who you've entrusted with your financial roadmap. You're sold blindly down the river by a ride they've never completed. Meanwhile, they gaze at you comfortably above in their corporate jet, drinking champagne. No one tells you the real, unadulterated story behind their road to wealth, but I will.

The Slowlane roadmap is sanctimoniously trumpeted by best-selling book authors who dispense financial advice through TV, radio, and books. The strategies they sell are a travesty of grand illusions. Do you seriously think these people are rich from their preachings? *Or, are they selling you the Slowlane while they get rich in the Fastlane?*

Let me hypothesis about the probable wizardry behind their charade.

First is "Suze." Suze preaches mutual funds, dollar-cost averaging, 401Ks. We can absorb Suze in many media: radio, TV, and in any of her half-dozen books. Her grille is everywhere. She's the wretched Slowlane poster child, a high-volume producer of Slowlane junkets spewed to millions. So what's the problem? Ask yourself this: Is Suze rich because she followed her own advice like municipal bonds, dollar-cost-averaging and 401Ks? The probable hypocrisy—the Paradox of Practice—is that Suze's method of creating wealth doesn't appear to be the road she travels, nor teaches. Is Suze Fastlane rich because she leverages the Fastlane roadmap while she pitches you the Slowlane? Is she worth *millions* because she followed her own advice? Or because she sold *millions* of books? *Is her wealth equation different from the one she teaches?* Things that make you go hmmm…

In a 2007 article Suze was quoted as admitting to having the bulk of her wealth (an estimated $25 million) in bonds, primarily municipals. Additionally, she admits that only 4% of her wealth is tied-up in the stock market because "if I lose a million dollars, personally I don't care." Wow, and yet, this is the vehicle you should entrust to build *your* wealth? How exactly did Ms. Suze acquire that $25 million nest egg? Because of her advice which champions the stock market, mutual funds, IRAs, bonds, and treasuries? Or, did she use the Fastlane roadmap, amass wealth fast via explosive net income, and then pour her wealth into these instruments? Yet, her advice for people at the precipice of poverty is that they should invest in the stock market to *create* wealth when it appears like she hasn't. Folks, *the rich use the markets for income and wealth preservation—not to create it!*

Then there's David. As I thumbed through David's many books, I was inundated with an alarming quantity of Slowlane ilk: compound interest tables, save 10% of your paycheck, stop drinking expensive coffee, and other chronic Slowlane diatribes. Again, the Paradox of Practice rears its ugly mug. Did David get rich from his advice? Or from selling 11 books, over and over several million times, often regurgitating the same Slowlane sludge until you can't take it anymore?

And finally, we have Robert, who hails from Hawaii and has two dads—one rich, one poor. "Double-Dad Robert" bellicosely explains the real definition of assets and that sophisticated investors are deep into real estate. On national television, Robert once bragged about his Lamborghini and I found this extravagant exposition ironic, yet disingenuous. Why? Isn't Robert showcasing the fruit of his teachings? Perhaps.

Robert is a Fastlane success story. He created and built a brand worth millions. But the curious question is this: Which came first? The best-selling book or the Lamborghini? Is there a Paradox of Practice underneath? Did Robert have this status icon "pre-book" by leveraging his real estate teachings? Or did the Lamborghini arrive after selling millions of books? Robert has undoubtedly amassed a great deal of wealth selling books, games, and seminars. Is it possible you're being sold *one wealth equation* while the architect of the game *uses another*?

Gurus fill a market need and I don't deny it. However consider this: Are they being truthful about their paradox and their magic potion? Are they rich because of what they preach, or what they sell? Once you're familiar with Fastlane mathematics, it should become clear to you which gurus are likely guilty of the paradox. Is the underlying mathematical equation which governs their teachings the same one that made them rich? If the "do as I say" doesn't match the "do as I do", you should be suspicious.

What makes me different is this: The Fastlane concepts in this book gave me financial independence. I already have financial freedom—the nice house, the sports cars, and the flashy rapper credit card. I don't need this book to get me these things. I also confess this Fastlane disclaimer: This book has the power to make me wealthier because it leverages the same wealth equation I teach you. In other words, the "do as I say" matches the "do as I do."

SLOWLANE GURUS ADMIT FAILURE

On a Slowlane financial radio show, a caller sought advice: In a few months the recession destroyed more than 50% of her savings, which had taken her nearly 10 years to accumulate. The Slowlane guru's advice? A palliative "Stick to the plan." Recommit. Rebuild.

In other words, my crappy plan has failed you, has taken 11 years to fail you, yet stand by it. Hope the economy rebounds. Hope the economy never sees another recession. Hope, hope, and hope. And yes, please buy my newest book, *Rebuild . . .*

Economic recessions expose the Slowlane as a risky fraud with lifetime ramifications. Since these gurus make their rich livelihood selling the Slowlane roadmap, they need you to believe it works. *Their wealth comes from your belief.* Despite the current recession's masterful exposé, the Slowlane illuminati will never admit that their strategy is woefully inept, and instead they have deviously recalibrated their

message to conceal the truth: They continue to spew the same failed rhetoric by writing new books, with new titles and new platitudes. Titles like:

Rebuild Your Wealth . . .
Start Over . . .
Recommit . . .

Notice the shift in language, exposing the truth: If the plan is so good, why do you need to "rebuild" or "start over?" If the strategy worked, such words wouldn't be necessary. For the charade to continue, the gurus need to reinforce the strategy with new books selling the same old shit! And the bigger question: Do you think the gurus need to "start over" or "rebuild"? Of course not! They don't use the plan they sell! They operate in an entirely different wealth universe not predicated on uncontrollable limited leverage.

CHAPTER SUMMARY: FASTLANE DISTINCTIONS

- Take advice from people with a proven, successful track record of their espoused discipline.
- Many money gurus often suffer from a Paradox of Practice; they teach one wealth equation while getting rich in another. They're not rich from their own teachings.

How the Rich Really Get Rich

Only those who will risk going too far
can possibly find out how far one can go.

~ TS ELIOT

THE BURNING QUESTION: "HOW DID YOU GET RICH?"

Drive any car that costs more than most people's homes and strangers will accost you with the question, "What do you do for a living?" This seemingly innocuous question "fronts" for the real question burning inside . . . "How did you get rich?" People want to know the road I've taken so they can assess their likelihood to travel that same road. When I prompt for a guess, the answers are typical: Athlete. Actor. A spoiled brat indulged by rich parents. A lottery winner. These speculative "answers" unmask the reality behind people's perceptions: To get rich you have to get famous, inherit money , or win money. That's what I thought, until I met that stranger in his Lamborghini so many years ago.

THE FASTLANE WEALTH EQUATION

Living wealthy in youthful exuberance has to shatter the myth of "Get Rich Quick." If you're 30 years old and worth millions, and you aren't famous or rich via inheritance, you dirty all fabrics of normality. We can't have that, now can we? Once again, the secret is unmasked in the universal language of mathematics. The secret is to divorce yourself from the ugly and obese Slowlane equation (ULL) and trade up to the smoking hot blonde—the Fastlane equation (CUL).

Wealth = Net Profit + Asset Value

Underneath this equation lies the true power of the Fastlane and how to build wealth fast. Its variables are controllable and unlimited. If you can control the

variables inherent to your wealth equation, you can get wealthy. Those variables are:

Net Profit = Units Sold × Unit Profit

~ and ~

Asset Value = Net Profit × Industry Multiple

All business owners leverage this equation, in which [units sold] × [unit profit] will determine net profit. Using my Internet company as an example, my unit profit was approximately $4 for every Web site conversion. (A conversion was a user who generated a lead). On any given day, I had 12,000 people visiting my Web site. This means my "units sold" variable had an upper threshold of 12,000 per day. I had the opportunity to "sell" 12,000 people per day.

Let's compare this variable to the Slowlane's counterpart of hours worked. Under my wealth equation, my upper limit of wealth is "units sold" and currently stood at 12,000. Of course, 100% conversion is unreasonable, and "converting" all 12,000 is unlikely. Likewise, in the Slowlane, the unreasonable upper limit is 24 because there are only 24 hours in the day. Logically, the real upper limit is 8 to 12 hours per day.

What is going to make you rich? An upper limit of exposure to 12,000 people per day? Or maximizing your hours worked in the day? That's 12,000 vs. 24. No contest. I get rich and the Slowlaner gets old.

Controllable unlimited variables will make you rich. So how did I control this variable? How is it unlimited? Simple. My average conversion ratio was 12%. If I want to make more profit, I don't walk into the boss's office and ask for a raise. No, I have several weapons available for deployment.

1) Raise Units Sold by Increasing Conversion Ratio

A 1% increase from 12% to 13% would give me an instant raise of about $480 per day. That's $14,400 per month. If I redesign the Web site, hit a home run and get conversion to 15%, now I've expanded my income to over $43,000 PER MONTH.

2) Raise Units Sold by Increasing Web Traffic

To raise profit, I can increase traffic. If I increase Web users to my Web site from 12,000 to 15,000 and conversion stays at 12%, my daily income rises by $1,440 per day, or $43,200 per month! Not likely? It happened! On some days I would have traffic spikes where over 20,000 users would visit.

3) Raise Unit Profit

If I detect a weakness in supply for my service or improve value, I can raise prices and increase my unit profit. If my unit profit moves from $4 to $4.50,

I raise my income to $10,800 per day from $8,000. That translates to an additional $84,000 per month! Is your mouth on the floor yet?

Isn't it wonderful to have control? These were my options to create wealth. I had reasonable control over both variables, "unit profit" and "units sold," whereas in the Slowlane you're left pleading with the boss for a measly 3% salary raise.

Second, notice how my wealth variables are virtually unlimited. I controlled only a small part of my market, and conceivably my upper threshold of traffic wasn't the current 12,000 people but upward of 50,000–100,000 users PER DAY. Unit profit is also pliable. I could experiment with increased prices or new services.

I remember the time when I introduced a new service that cost me nothing and I sent out an email to my advertisers outlining the program. Within minutes, I made a few thousand dollars in reoccurring yearly income. My invested time was negligible and the results were accumulative.

High speed limit = high potential income. The power of this example is to illustrate why I got rich and most others don't. I changed my universe because *my wealth equation was unlimited and controllable.* When I make tiny, incremental changes in my strategy, I explode my income. A mere 1% increase in the variables could mean thousands and a new Lamborghini. When your wealth variables have high leverage, so does your income potential—or would you rather stick with the ceiling of 24 hours native to intrinsic value?

Unfortunately, many enthusiastic business owners engage in opportunities with low, punitive speeds. For example, if you sit outside the hardware store and sell hot dogs from your hot dog cart, you've muzzled your speed with no accelerative leverage. The variables are limited because your reach is confined to a small area. How many hot dogs could you conceivably sell in the day? 40? 100? Is it possible you can go home and rave to your wife "Honey! I sold 20,000 hot dogs today!" It would never happen! Again, this isn't much different from the 24-hour cage on intrinsic value. *Small numbers have a strong gravity toward mediocrity.*

Another example is this book itself. How many people are interested in financial independence or early retirement? My market, *my upper speed limit*, is virtually hundreds of millions of people all over the world. To weaponize the Fastlane wealth equation, you must engage in a Fastlane business that has the potential for leverage or high speed limits. Retarded numbers retard wealth!

MILLIONAIRES CREATE AND MANIPULATE ASSETS (ASSET VALUE)

In a survey of 3,000 pentamillionaires ($5 million net worth) the Harrison Group (HarrisonGroupInc.com) reported that almost all pentamillionaires made their fortunes in a big lump sum after a period of years. Worth repeating: a big lump sum, not "by saving 10% of his paycheck for 40 years." "A big lump sum" is just

another phrase for "asset value." Furthermore, 80% either started their own business or worked for a small company that saw explosive growth. Explosive growth is another phrase representing asset value. And yet, none of these multimillionaires had a cushy union job down at the DMV. Surprised? Don't be.

The primary wealth accelerant of the rich boils down to one concept: *Appreciable and controllable assets*. Within our Fastlane wealth equation, this second component is called "Asset Value." Asset value is simply the worth of any property you own that has marketplace value.

Slowlaners and Fastlaners have two antagonistic views of "assets." Slowlaners and Sidewalkers buy and sell depreciating assets that decline in value over time. Cars, boats, electronics, designer clothes, gizmodos, and sparkly bling to impress that newly divorced woman in the adjacent cubicle—these are all assets that lose value the moment your credit card is charged.

Contrary to this, Fastlaners buy and sell appreciating assets: businesses, brands, cash flows, notes, intellectual property, licenses, inventions, patents, and real estate. As it relates to the Fastlane wealth equation, the power of "Asset Value" lies in your ability to control the variable in a virtually limitless fashion.

WEALTH ACCELERATION BY ASSET VALUE

The rich accelerate wealth by accelerating asset value and selling those upgraded assets in the marketplace.

> *Twenty-four-year-old Sheila Hinton quits her job to become a roving computer technician, eradicating viruses and cleaning computers. At first, her business operates in the local metropolitan area, but growth forces her to hire additional technicians. Her growth to additional cities is explosive and driven by demand. In a few years, Sheila owns a company that operates in 27 states. She moves from a technician to a facilitator of the system, and her company enjoys an impressive $2.9 million profit. After enjoying the profits (and saving most of it), she sells her company for $24 million to a large computer manufacturer. She built an asset from nothing to something. The asset was her system, and now with a $30 million nest egg, she never has to work again.*

The preceding story best represents the two variables that comprise "asset value":

$$\textit{Asset Value} = \textit{(Net Profit)} \times \textit{(Industry Multiplier)}$$

Any time you have an asset that has sustainable profits, an industry multiplier governed by prevailing market conditions determines the valuation of that asset.

Other people or companies will buy that asset based on the asset's net profit multiplied by the assessed multiple.

For example, if you own a manufacturing company that nets $100,000 and the average multiple for your industry is 6, your asset value is worth $600,000. Industry multipliers are subject to intense negotiating as they rise and fall with the economy and within industry sectors.

You already might be familiar with "multipliers." Stocks trading on the public markets define the multiplier for each respective company by the price-to-earnings ratio, or PE. If a company's stock trades at 10 times PE, investors are purchasing that company at a multiple of 10 times. Price-to-earnings is relevant regardless of whether your company is a small private company or a large publicly traded company: *The valuation of your company is predicated on the subjective PE for your particular industry.*

For example, in my particular Web space, industry multipliers ranged from 2 to 6. For this analysis, let's use the middle: 4. This means that any time I increased my net profit, *the value of my business increased by a minimum factor of* 4, *or* 400%. 400%! Where can you get a return of 400% in today's financial market? Are there any mutual funds paying 400%? Forget about today, how about ever?

In effect, this puts a phenomenal wealth-building tool at your disposal. Since net income, profit, or earnings can determine asset value, I experienced asset growth of 400% every time I increased net profit. For every dollar I earned, the value of my company would increase by a factor of 4, or $4. If my net profit increased $500,000 for the year, my company's valuation increased by $2 million.

Below is a list of average multiples per respective industry.

Advertising	2.85
Beauty Shops	4.10
Bars/Drinking Places	2.70
Carpet Cleaning	5.22
Computer-Related Services	8.19
Employment Agencies	5.40
Engineering Services	6.32
Gasoline Stations	3.70
Grocery Stores	11.34
Medical Labs	2.62
Misc. Retail Stores	3.62
Patent Owners and Lessors	14.56
Physical Fitness Facilities	3.56
Plumbing/HVAC Services	4.52
Surgical and Medical Equipment	17.32
Used Merchandise Stores	4.92

Source: *Inc.* Magazine, June 2009

THE WEALTH ACCELERATION FACTOR (WAF)

Suppose you're a disgusted engineer employed by a multinational corporation. You've been employed for three years and diligently save 10% of your paycheck and invest it into a mutual fund earning an average of 8% a year. Your Wealth Acceleration Factor (WAF) is 8%.

Now suppose you quit your job and take your three years of experience and set off to create a company manufacturing medical devices. You estimate that your total market (potential buyers) for your medical product(s) is 16 million. According to our chart above, the average multiple for the "medical devices" industry is over 17. This means within your scope of wealth acceleration, you can accelerate wealth at a FACTOR of 17, or 1,700%. Your Wealth Acceleration Factor (WAF) is 1,700%.

Let's extend this example further. For the next six years, you grow this company to the point that its net income is $1.2 million per year. This means you now earn $100,000 per month (your net profit) AND your company (the asset) is now worth in the neighborhood of $18.4 million based on the average multiple ($1.2MM × 17.32 multiple). You could continue to grow the business (grow wealth via asset value) and cash flow (grow income) or seek to liquidate (sell asset value) to realize wealth acceleration.

Contrast the two wealth acceleration options for the Slowlaner and the Fastlaner. Your wealth acceleration options if you stay as an employed engineer:

1) Raise your intrinsic value and HOPE the boss gives you a pay raise.
2) HOPE the company doesn't lay you off, so you can continue receiving your income.
3) Save 10% of your paycheck in a mutual fund and HOPE for an 8% return for the next 40 years.

Your wealth acceleration options if you owned your own medical device company:

1) Grow net income with an income potential only limited by the number of devices you can sell, that is, 16 million.
2) Grow asset value at a factor of 1,700%.
3) Liquidate asset value and turn paper money into real money.

Can you see now why some 30-year-olds are worth $50 million and some are worth $13,000? The Fastlane universe operates on gains of 1,700% and millions, while the Slowlane universe 8% and 40. One plan is about *HOPE* while the other is about *CONTROL*. Breaking news: 8% and 40 makes millionaires in 40 years: 1,700% and 16 million makes *billionaires* in four years.

WEALTH'S DUAL-FLANKED ATTACK

Zealous pursuit of net profit is a double-flanked attack at creating wealth. Since asset value is tied to net profit, raising net profit simultaneously elevates asset value by the average industry multiple. Of course, this works in the opposite as well; if your company stagnates and net income starts to erode, so will the corresponding asset value. When I repurchased my company, I paid $250,000. I then for the next several years manipulated the asset and increased its value.

1) I expanded my customer base by 30%.
2) I reduced expenses, improving profitability.
3) I streamlined operations, which created passivity.
4) I elevated "net income."

Over this process, my net income exploded and, with it, asset value. Then, subsequently, and after profiting millions passively, I put the company up for sale and entertained multimillion dollar offers. I bought an asset for $250,000, appreciated and manipulated the variables, and then sold it for millions. I controlled my financial plan; the plan didn't control me.

In the Fastlane, your Wealth Accelerator is based on creating or buying appreciative assets, adding value and manipulating the variables, and then selling. Or you can opt for the Slowlane alternative—dump $200 a month into a mutual fund and pray for 8% per year and 40 years of employment. Excuse me while I laugh.

SUPER-FAST WEALTH ACCELERATION: LIQUIDATION EVENTS

Liquidation events create millionaires overnight, but only if liquidation occurs. Liquidation events are the process of selling your appreciable asset to the market. It's a Fastlane exit strategy.

John Twitnuts creates a social networking Web site that goes viral. Soon millions of people are using his service and John finds himself entertaining buyout offers and venture capital investments. Despite having no revenue and no profit, John has built an asset that has value to the marketplace. He receives a $640 million offer for his service from the Web's leading search engine. John declines, arguing that his business will be worth more money once he starts generating revenue. While this is true, it is a gamble. After 18 months, John's social networking service falls out of vogue, proving that the service was nothing more than a fad. The company becomes a bad party joke. In search of glowing valuations on a declining property, John no longer receives investor or buyer interest. He realizes too late that he should have taken the $640 million and experienced a liquidation event. He eventually

sells the company at a "fire-sale" price of $2.5 million to a private equity firm. His poor timing cost him more than $600 million.

Asset valuations of businesses, real estate, and other appreciable assets are nothing, but just that—valuations based on subjective analysis and market data. If the company you build from scratch has a paper valuation of $60 million and your bank account only has $10,000, are you really a millionaire? Not really. Illiquid, paper-millionaires can't buy Ferraris and palatial estates; money does. And to get the money, you have to increase profit and save it, or go for the big exit: liquidation.

Fastlaners accelerate wealth by building cash-flowing assets that can be sold in the marketplace to realize gains. Their wealth equation has controllable, unlimited leverage.

CHAPTER SUMMARY: FASTLANE DISTINCTIONS

- The key to the Fastlane wealth equation is to have a high speed limit, or an unlimited range of values for units sold. This creates leverage. The market for your product or service determines your upper limit.
- The higher your speed limit, the higher your income potential.
- The primary wealth accelerant for the rich is asset value, defined as appreciable assets created, founded, or bought.
- Wealth creation via asset value is accelerated by each industry's average multiplier. For every dollar in net income realized, the asset value multiplies by a factor of the multiple.
- Your industry of specialization will determine the average multiple that determines your wealth accelerant factor. If the multiple is 3, your WAF is 300%.
- Liquidation events transform appreciated assets ("paper" net worth) into money ("real" net worth) that can be transformed into another passive income stream: a money system.

Own Yourself First

Events and circumstances have their origin in ourselves.
They spring from seeds which we have sown.

~ HENRY DAVID THOREAU

THE PARALYSIS OF "PAY YOURSELF FIRST"

Fastlane success demands a well-tuned vehicle primed and prepared for the journey that awaits. *You* are the vehicle to wealth. *You* are mechanism for movement. *You* are responsible for making the journey and the first step in taking charge of you, is to own you.

Surely you've heard "Pay yourself first," a common Slowlane declaration born from the classic 1926 book, *The Richest Man in Babylon* by George Clason. A good read, but fundamentally flawed.

If you aren't familiar with "pay yourself first," it's a Slowlane doctrine that urges you to save your money (pay yourself) before all else—food, gas, car payments, and other bills. This supposedly forces the Slowlaner's savings rate to accelerate their putrid wealth acceleration vehicle: compound interest via market investments.

The fact is, advising a Slowlaner to "pay yourself first" is like advising a quadriplegic to climb a flight of stairs. It's futilely fruitless. If you have a job, examine your last paycheck. Is your gross pay that same as your net pay? It isn't and for some, it may be as much as 35% less. Additionally, pre-tax saving weapons such as 401K's and IRA's severely limit your contributions to infantile amounts where creating wealth on a pre-tax basis in a job becomes organizationally penal.

If your primary income source comes from a job, your ability to pay yourself first is paralyzed because the governments are paid first! For "pay yourself first" to be legitimate, you truly need to pay yourself first in infinite amounts and the government last. *You must own your vehicle.*

TO PAY YOURSELF FIRST, YOU MUST OWN YOURSELF

You can't pay yourself first if you don't own yourself. Your vehicle (you) must be free and clear. *When you have a job, someone owns you.* And when someone owns you, you aren't paid first, but last.

The first step to controlling your vehicle—you—is to own yourself so you can truly pay yourself first and the government last. That is accomplished by shelling your business into a corporation that you control.

The corporation serves as the Fastlane frame because it offers the immediate tax benefit of "pay yourself first" versus "pay yourself last." When you own a corporation, net profits are reduced by expenses. The remaining profit is taxed, and those taxes are paid to the government. Additionally, corporations exist separate from their owners and survive time. *It's the surrogate structure that serves as your business system.*

When you own a corporation, the government is paid four times a year, once every quarter through estimated taxes. If you have a payroll, taxes are paid each time you pay your employees. I pay myself first 365 times a year while the government is paid four times a year. Doesn't that sound like a structure that is conducive to not only "pay yourself first" but also wealth?

HOW TO OWN YOURSELF

Like many entrepreneurs, I made the horrific mistake of getting into business as a sole proprietor. Any "adviser" who recommends a business structure as a sole proprietorship or general partnership should be avoided like an airport toilet. These entities are risky because they don't protect you and catapult unlimited liability onto you and your personal assets. If you're a plumber organized as a sole proprietor and you accidentally leave a pipe cutter at a client's house and the client's three-year-old kills himself with it, guess what? They're coming after you because you chose an ill-protected business entity. Instead of suing a corporation, they sue you and everything you own is up for grabs. The best business structures for your Fastlane business are:

1) C corporation
2) S corporation
3) Limited liability corporation

Each has its advantages and disadvantages, but all share two common benefits: limitation of liability and tax efficiency.

The C Corporation

The C corporation is a business structure that survives time and can be easily transferred. Corporate profits are taxed at corporate income tax rates, with net income distributed to shareholders.

Some C-corp owners use this structure to deploy a strategy known as "income splitting." The strategy is to partition the business's income to both the owner and the business, effectively lowering the tax bracket of the two, versus a large income for just one. While it's not within the scope of this book to dive into tax strategy and corporate formation, it does offer up a Fastlane component, which is control.

While C corporations and their owners are subject to double taxation (tax on corporate profits and dividends to shareholders), they are advantageous for larger corporations and corporations with an "asset growth" strategy. In other words, if you don't plan on distributing profits and are focused on building "asset value" over "net profit," C corporations do the job. The majority of publicly traded companies are C corps that do not distribute dividends to their shareholders. They grow revenue and asset value.

The S Corporation

An S corporation is like a C corporation except that it isn't taxed as a separate entity. Considered a "pass-through" entity, taxes aren't paid at the corporate level, but at the individual level and reflected on the owner's personal tax return. S corporations also have some tax advantages because profits are not subject to the hefty self-employment tax that comes with sole proprietorships. However, unlike C corporations, which can have limitless owners, S corporations are limited to 100 owners and will have additional filing requirements.

The Limited Liability Corp (LLC)

An LLC operates just a like a corporation with the benefits of a partnership or a sole proprietorship. LLC profit passes through to its owners, called members, and is reflected on their personal income tax. LLCs are also considered "pass-through" entities because profit passes directly to the owners. For partnerships, the LLC or the S corp is the recommended structure in lieu of a general partnership, which, again, does not offer liability protection.

For small startups, I recommend either an LLC or an S corp. Stay away from partnerships and sole-proprietorships, as they do not limit liability. Creating a corporation is not as daunting as it seems. Depending on your state, it shouldn't cost more than $1,000. In Arizona, one can be created for less than a few hundred dollars.

SELECTING AN ENTITY

Selecting an entity depends on your goals and your vision for your business. Here are some general questions to help you decide.

- What is your exit strategy? Go public? Sell to private investors?
- What is your growth strategy?
- What is your liability exposure in the worst case?
- Do you plan on raising capital now, or in the future?
- Do you plan to hire employees?
- Do you plan to take on new partners?
- Do you plan on earning profits fast? Or not for a while?

Your answers will determine the best entity for you. In my businesses, I use both an S corp and an LLC. And finally, I'm not an accountant or an attorney and this should not be construed as professional advice, so please, consult with someone who has the appropriate credentials to verify (or disprove) what I recommend.

CHAPTER SUMMARY: FASTLANE DISTINCTIONS

- "Pay yourself first" is fundamentally impossible in a job.
- To own your vehicle (you), start a corporation that formally divorces you from the act of business. Your corporation is the body of your surrogate.
- The recommended Fastlane business entity is a C corp, an S corp, or an LLC.